

cc Mr Wright



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Minister of State

Mike Pattison Esq  
Private Secretary to the  
Prime Minister  
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13 May 1980

Dear Mike

MEETING WITH LORD SHEPHERD: WEDNESDAY, 14 MAY

Further to our telephone conversation yesterday,  
... I attach a brief for the Prime Minister's use.  
... The Prime Minister may also care to see the  
attached copy of a note of a meeting between  
the Lord President and Lord Shepherd on 6 July  
1979.

Yours sincerely

G E T Green

G E T GREEN  
Private Secretary

BRIEF FOR THE PRIME MINISTER'S MEETING WITH LORD SHEPHERD  
ON 14 MAY 1980

Role of the Pay Research Unit (PRU)

The terms of reference of the Director of the PRU, showing his formal responsibilities, are at Annex A. The PRU's role is the collection of evidence about pay and conditions of service outside the Civil Service. It does not process the evidence or recommend pay rates.

Role of the Pay Research Unit Board (PRUB)

The PRUB's terms of reference, showing its formal responsibilities and the names of its members, are at Annex B. Its function is to audit the work of the PRU.

In brief, the PRUB's main responsibilities are to ensure the independence and impartiality of the PRU; to satisfy itself the PRU has acted properly and efficiently; and to submit to the Prime Minister an annual report for publication. PRUB's membership comprises independent voting members and non-voting members from CSD and the unions as well as the Director of the Unit ex officio.

Lord Shepherd's views

He is likely to cover the following:

- a PRUB's audit role: useful; he is satisfied with the professional standards and integrity of the PRU.
- b Need to extend PRUB's role: PRUB should be able to comment on the way pay research evidence is used by management and unions, and how fringe benefits are taken into account.
- c PRUB membership: should not include CSD and union representatives.

d Sir D Rayner: his resignation is a great loss; an early replacement will be needed.

Suggested response

- a The Government much appreciates the PRUB's work.
- b Lord Shepherd's views will be considered carefully: they are very much in line with how we think the PRUB might develop.
- c Sympathetic to idea of limiting right of CSD and union members to attend all PRUB's discussions. To exclude them altogether would involve difficult re-negotiation of the 1977 Pay Agreement: might be easier to give Lord Shepherd powers to exclude them from certain meetings.
- d We intend to replace Sir D Rayner as soon as possible. [Mr Trevor Holdsworth, Chairman of GKN is in mind: but he has not yet been approached.]

Comment

We have some sympathy with Lord Shepherd's views, but, as the system stands, we would have to negotiate with the Unions the sort of changes he has in mind. The Unions are very wary of PRUB and are unlikely to agree. They think that a wider role for PRUB will limit their ability to negotiate.

*CONFIDENTIAL* | In any case, we shall have to consider the whole future of the pay research system in the light of our forthcoming consideration of public sector pay generally. If pay research is retained it could well be useful for it to take on a wider role.

Pensions Inquiry

In case the matter should be raised, a note is attached, at Annex C, showing the present position.

## TERMS OF REFERENCE FOR THE DIRECTOR, CIVIL SERVICE PAY RESEARCH UNIT

With due regard to the agreed procedures for settling civil service pay, in particular as set out in paragraphs 5-23 of the 1974 Pay Agreement, and supplemented by the 1977 Agreement, the Director of the Pay Research Unit shall:

- a. carry out surveys of pay and conditions of service outside the Civil Service, as requested by the Official and Staff Sides of the Civil Service National Whitley Council, and report to the parties to each review the facts of outside remuneration for comparable work as defined by the Priestley Royal Commission;
- b. in discharging these functions, establish job comparability, making due allowance for differences in grading structure; and ascertain and report on the pay and conditions of service attaching to jobs regarded as comparable;
- c. establish and maintain impartial and independent operating practices for the above purposes;
- d. ensure that information about the rates paid by outside employers and all relevant conditions of service and fringe benefits is collected from within the chosen fields in the most accurate, comprehensive, effective, efficient, and impartial manner possible;
- e. establish and maintain links with a wide and representative range of outside organisations to enable comparisons to be made between civil service work and work in these organisations;
- f. be responsible for surveys of jobs inside and outside the Civil Service and discuss with the parties the extent of survey fields, given that the aim of the internal survey is to obtain an accurate and representative picture of the work performed by the Civil Service grades covered by the survey, having regard also to the likelihood of finding outside analogues for particular functions, and that the aim of the external survey is to obtain adequate evidence of rates paid for comparable work which is representative both in its geographical spread (where appropriate) and in the distribution of analogues in different industrial groupings; aim to proceed with the agreement of the parties as far as possible, but in the event of disagreement include areas of agreed comparison and wherever possible maintain an equal balance between the parties' proposals when drawing from disagreed areas; have the overriding responsibility, however, to ensure that the number and distribution of the organisations are such as to provide him with information as widely representative as possible for the purposes of a, b, and c above;
- g. keep the Civil Service Pay Research Unit Board, of which he shall be an ex-officio member, informed about the discharge of his responsibilities according to his terms of reference; and provide them with an annual report for their scrutiny, endorsement and publication;

h. subject to his duty to safeguard the independence and impartiality of the Unit in the conduct of its surveys, maintain appropriate contact with the Pay Research Steering Committee of the National Whitley Council, providing them simultaneously with copies of the reports he may make to the Pay Research Unit Board, so that he may consult them and obtain their advice on matters of general application relating to pay research, as indicated in the Steering Committee's terms of reference;

j. supply general information about pay research to organisations co-operating with the PRU and others subject to the guidance of the Civil Service Pay Research Unit Board.

## TERMS OF REFERENCE FOR THE CIVIL SERVICE PAY RESEARCH UNIT BOARD

The Board shall:

- a. safeguard the independence and impartiality of the Unit in all its work;
- b. receive an Annual Report from the Director about the work of the Unit and the discharge of the responsibilities laid upon the Unit and satisfy themselves that the Unit has exercised its responsibilities properly and efficiently;
- c. discuss with the Director from time to time as they judge necessary points arising on the work of the Unit;
- d. submit an Annual Report to the Prime Minister which would be published; and give guidance to the Director on the release of such information about the Unit's work and findings as is compatible with the effective operation of the system. In both contexts, the Board shall have a duty to take account of the need for confidentiality specified by co-operating organisations and the views of the National Whitley Council on the effect of disclosure on the subsequent confidential negotiations by the Official and Staff Sides on material provided by the Unit.

## COMPOSITION OF THE CIVIL SERVICE PAY RESEARCH UNIT BOARD

The Board shall be composed of a Chairman and nine members. The Chairman and the four voting members of the Board shall be independent and appointed from outside the Civil Service. Selection shall be made so that a broad spectrum of relevant experience is represented on the Board. The remaining members, while otherwise being full members of the Board, shall have no voting rights. For these seats, the Official and Staff Sides of the National Whitley Council shall each put forward two nominees, and the Director of the Pay Research Unit shall have ex-officio membership.

Membership

Chairman: Lord Shepherd  
 Deputy Chairman: Sir Derek Rayner  
 Members: Baroness Pike  
 George Russell (Managing Director Alcan Aluminium (UK))  
 Einion Holland (General Manager, Pearl Assurance)  
 Professor J R Crossley (Leeds University)  
 Leif Mills (Bank staff's union)  
 two non-voting members nominated by the Official Side  
 two non-voting members nominated by the Union Side  
 and, the Director of the Pay Research Unit  
 (ex officio)

## PENSIONS INQUIRY

Lord Shepherd may ask where matters stand on the proposed pensions inquiry. Although he had been told last autumn that the valuation of pensions and of job security would be referred to the PRUB, it was not until March that we were able to tell him that the Government were not now likely to make that reference but instead would probably set up a wider ranging inquiry. This intention was briefly mentioned in the Budget speech. Lord Shepherd can now be told that the membership and terms of reference are likely to be announced ~~early~~ next week.

ARLIP  
P.L.P.  
2/17/A

NOTE OF A MEETING BETWEEN LORD SHEPHERD AND THE LORD PRESIDENT OF THE COUNCIL ON FRIDAY 6 JULY 1979

Lord Shepherd came to see the Lord President to talk about the Pay Research Unit Board. During the discussion the Lord President made no commitments to any changes, nor did he intimate that any changes were being considered. This note therefore simply records the representations made by Lord Shepherd.

Lord Shepherd explained that Sir Derek Rayner had offered his resignation from the PRUB but had been persuaded not to press this until the Board could either be restructured or a suitable replacement found for him (or both). Lord Shepherd would be looking for a Board of 6 voting members plus Chairman - the present Board is not large enough for proper debate or to ensure that a clear consensus emerges. In particular, a member from the "employers' " side (from industry, with wide industrial relations experience) is required to counterbalance Leif Mills. Lord Shepherd would also like to remove the non-voting members from the Board altogether, because discussion is inhibited particularly by the presence of the union representatives. In his view Mr Kendall, at least, would be prepared to accept this providing the NSS continued to receive PRUB papers and had access to the Board where they felt it to be important.

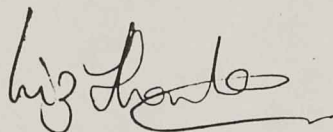
Lord Shepherd emphasised that whatever is decided about the composition of the PRUB depends upon what view is taken of its and the PRU's roles. Currently the PRUB check the data produced by the PRU and pass that on to the negotiators. But surely Parliament and the public expected the Board to satisfy itself that the resulting settlement bears a proper relationship to the facts?

He therefore urged that the Unit's role should be widened to enable it to process the raw data which it had collected, ie to work out the range for a grade rather than leaving this to the negotiating parties. Without this, the PRUB could not be expected to vouch, for example, for the correctness or fairness of a median for a grade even though it could vouch for the material from which that median had been drawn.



(A further problem arose because the PRUB did not see the names of the employers used in a survey. How could it then be asked to satisfy itself that they were 'good' employers? Lord Shepherd did not suggest a specific solution to this one).

Lord Shepherd said that the work which the Unit had undertaken for the Clegg Commission demonstrated that it could process the raw data. He argued that the PRU's expertise in the field of pay comparability and the contacts with outside employers it had established should be utilised in other fields, for example local authorities, so that decisions on pay rates across the board could be taken on data procured on the same basis. The PRU would thus become a 'statistical office', collecting and processing data which would be published as it was passed to the relevant negotiating parties.



MS E A THORNTON  
APS/Lord President  
9 July 1979

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